

**GRAND COUNTY SERVICE AREA FOR  
CASTLE VALLEY FIRE PROTECTION  
(A COMPONENT UNIT OF GRAND COUNTY)  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**GRAND COUNTY SERVICE AREA FOR  
CASTLE VALLEY FIRE PROTECTION  
(A COMPONENT UNIT OF GRAND COUNTY)  
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FOR THE YEAR ENDED DECEMBER 31, 2005**

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ACCOUNTANTS' REVIEW REPORT

To the Board Members  
Grand County Service Area for  
Castle Valley Fire Protection  
H.C. 64, Box 2109  
Castle Valley, Utah 84532

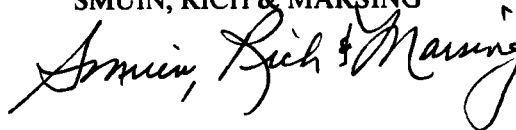
We have reviewed the accompanying financial statements of governmental activities, each major fund, and the remaining fund information of the Grand County Service Area for Castle Valley Fire Protection (a component unit of Grand County), as of December 31, 2005, which collectively comprise the District's financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Grand County Service Area for Castle Valley Fire Protection.

A review consists principally of inquiries of District personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the generally accepted accounting principles.

The Management, Discussion and Analysis as listed in the financial section of the table of contents is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

SMUIN, RICH & MARSING



Price, Utah

July 28, 2006

**GRAND COUNTY SERVICE AREA FOR  
CASTLE VALLEY FIRE PROTECTION DISTRICT  
(A COMPONENT UNIT OF GRAND COUNTY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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Our discussion and analysis of Grand County Service Area For Castle Valley Fire Protection District's financial performance provides an overview and analysis of the District's financial activities for the year ended December 31, 2005. This report is in conjunction with the District's financial statements, which are a part of this report.

The purpose of the District is to provide fire suppression and rescue aid in order to protect lives and property from fire, hazardous materials emergencies, man-made, and natural disasters in a 30 square-mile district that encompasses the entire Town of Castle Valley, Utah and the adjacent unincorporated lands around Castle Valley Town.

#### **FINANCIAL HIGHLIGHTS**

- The District's net assets increased \$194,101 as a result of this year's operations. This is a 98% increase in net assets as compared to the prior year.
- Grant revenues for the District increased \$237,113 or an increase of 1000.8% over the prior year.
- Tax revenue increased from \$18,527 to \$22,112 a 19.35% increase over the prior year.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to Grand County Service Area For Castle Valley Fire Protection District's basic financial statements. The District's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements.

##### **Government-wide financial statements**

The government-wide financial statements include two financial statements: The Statement of Net Assets and The Statement of Activities. These statements are designed to provide the readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing revenues and expenditures of the District and how the government's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

## **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the District include general government and capital outlay. The District does not have any business-type activities.

### **Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds the General Fund and Capital Projects Fund. Both the General Fund and Capital Projects Fund are reported as major funds and are presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The District adopts an annual appropriated budget for all its governmental funds. A budgetary comparison statement has been provided for the General Fund, to demonstrate compliance with their budget.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, they had \$391,579 of assets and no liabilities at December 31, 2005.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

By far the largest portion of the District's net assets (91.8%) reflects its investment in capital assets (e.g. buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The following analysis focuses on the net assets (table 1) and changes in net assets (table 2) of the District's governmental activities.

**Table 1**  
**Net Assets**

	<u>2004</u>	<u>2005</u>	<u>Net Change</u>
<b>Assets</b>			
Current and other assets	\$ 30,862	\$ 31,895	\$ 1,033
Capital assets, net	<u>166,847</u>	<u>359,684</u>	<u>192,837</u>
Total assets	<u>\$ 197,709</u>	<u>\$ 391,579</u>	<u>\$ 193,870</u>
<b>Liabilities</b>			
Current liabilities			
Other liabilities			
Total liabilities	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>
<b>Net Assets</b>			
Invested in capital assets, net of debt	\$ 166,847	\$ 359,684	\$ 192,837
Unrestricted	<u>30,862</u>	<u>31,895</u>	<u>1,033</u>
Total Net Assets	<u>\$ 197,709</u>	<u>\$ 391,579</u>	<u>\$ 193,870</u>

Revenues for the District increased \$240,909 a 665% increase over the prior year. The largest increase in revenue was in grants, particularly one grant to purchase a fire truck. The re-accruing funds to operate the District, is from property taxes. These funds, plus other miscellaneous revenue enable the District to fund the daily operations of the District. Grants help to upgrading their equipment.

Total expenses increased \$31,785, an increase of 55%. The largest increase in expenditures was depreciation due to additional purchase of equipment. Grant revenue of \$245,000 helped pay for a new fire truck and other equipment for firefighting, and for specialized rescue.

Government-wide financial statements (Continued)

**Table 2**  
**Changes in Net Assets**

	<u>2004</u>	<u>2005</u>	<u>2004-2005 Net Changes</u>
<b><u>Revenues</u></b>			
<b>Program Revenues:</b>			
Operating grants and contributions		\$ 16,089	\$ 16,089
Capital grants and contributions	\$ 23,976	245,000	221,024
<b>General Revenues:</b>			
Taxes	18,536	22,112	3,576
Unrestricted investment earnings	<u>128</u>	<u>348</u>	<u>220</u>
Total revenues	<u>\$ 42,640</u>	<u>\$ 283,549</u>	<u>\$ 240,909</u>
<b>Program Expenses</b>			
Public safety	<u>\$ 57,663</u>	<u>\$ 89,448</u>	<u>\$ 31,785</u>
Total expenses	<u>\$ 57,663</u>	<u>\$ 89,448</u>	<u>\$ 31,785</u>
Excess (deficiency) before transfers	<u>\$ (15,023)</u>	<u>\$ 194,101</u>	<u>\$ 209,124</u>
Net Assets - beginning	\$ 212,501	\$ 197,478	\$ (15,023)
Net Assets - ending	<u>197,478</u>	<u>391,579</u>	<u>194,101</u>
Change in net assets	<u>\$ (15,023)</u>	<u>\$ 194,101</u>	<u>\$ 209,124</u>

## GENERAL FUND BUDGETARY HIGHLIGHTS

The District made no revisions to their budget for the year ended December 31, 2005. The original budget was adopted on December 14, 2004 but was not adjusted during the year.

The actual charges for expenditures were \$52,516; this was \$18,016 above the final budgeted amount. Resources for revenues were \$53,310, \$18,810 above the final budgeted amount. The most significant negative variance (\$13,538) occurred in operating expenditures.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At December 31, 2005, the District had invested \$359,684 (net of accumulated depreciation) in capital assets. This amount represents a net increase (including additions and deletions) of \$192,524, or a 116% increase over the previous year. See Table 3 below.

**Table 3**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**

	<u>2004</u>	<u>2005</u>	<u>Net Changes</u>
Buildings	\$ 70,675	\$ 91,143	\$ 20,468
Equipment	<u>96,172</u>	<u>268,541</u>	<u>172,369</u>
Total assets	<u>\$ 166,847</u>	<u>\$ 359,684</u>	<u>\$ 192,837</u>

This year's major additions included the following equipment:

<u>Description</u>	<u>Cost</u>	<u>Funding Source</u>
Fire Truck	\$ 230,442.00	State Fire Dept Grant
Pump	3,600.00	Grant
1975 Mack Truck	15,000.00	County



## **CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

The District's fiscal year 2006 capital budgets in the General Fund and Capital Project Fund calls for spending \$29,750 principally for equipment. The District anticipates paying for these projects with budgeted funds from the General Fund and Capital Project Funds.

### **Long-term Debt**

The District has no outstanding debt at December 31, 2005, nor does the District anticipate adding any debt in 2006.

## **ECONOMIC FORECAST AND FUTURE BUDGET**

The Grand County Service Area For Castle Valley Fire Protection District will continue to use its funding to protect its citizens and visitors from the effect of fire, hazardous materials emergencies, and other man-made and natural disasters. The District has experienced some growth in the Town of Castle Valley and the surrounding area, which will continue to increase assessed property values in the District and increase property tax revenues. Also the District will continue to seek funding through grants and other available resources. The Board of Directors are committed to maintaining the level of service to the residents who live in the District boundaries.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our community with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Floyd Stoughton at 210 Shafer Lane, Castle Valley, Utah 84532.

**GRAND COUNTY SERVICE AREA FOR  
CASTLE VALLEY FIRE PROTECTION  
(A COMPONENT UNIT OF GRAND COUNTY)  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2005**

	<b><u>GOVERNMENTAL ACTIVITIES</u></b>
 <b><u>ASSETS</u></b>	
Current assets:	
Cash and investments	\$ 31,895
	<hr/>
Total current assets	\$ 31,895
	<hr/>
Noncurrent assets:	
Capital assets (net of accumulated depreciation)	
Buildings	\$ 91,143
Equipment	268,541
	<hr/>
Total noncurrent assets	\$ 359,684
	<hr/>
Total assets	\$ 391,579
	<hr/> <hr/>
 <b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	\$ 359,684
Unrestricted	31,895
	<hr/>
Total net assets	\$ 391,579
	<hr/> <hr/>

"See Accompanying Notes and Accountants' Review Report."

**GRAND COUNTY SERVICE AREA FOR  
CASTLE VALLEY FIRE PROTECTION  
(A COMPONENT UNIT OF GRAND COUNTY)  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 89,448		\$ 16,089	\$ 15,000
Capital projects				230,000
Total governmental activities	\$ 89,448	\$ ...	\$ 16,089	\$ 245,000
General Revenues:				
Taxes				\$ 22,112
Investment earnings				348
Total general revenues, special items, and transfers				\$ 22,460
Change in net assets				\$ 194,101
Net assets - beginning				197,478
Net assets - ending				\$ 391,579

"See Accompanying Notes and Accountants' Review Report."

**GRAND COUNTY SERVICE AREA FOR  
CASTLE VALLEY FIRE PROTECTION  
(A COMPONENT UNIT OF GRAND COUNTY)**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 9,284	\$ 10,611	\$ 19,895
Cash and investments - restricted		12,000	12,000
	<u>9,284</u>	<u>12,000</u>	<u>12,000</u>
Total assets	<u>\$ 9,284</u>	<u>\$ 22,611</u>	<u>\$ 31,895</u>
<b><u>FUND BALANCE</u></b>			
Reserved - vehicle replacement		\$ 12,000	\$ 12,000
Unreserved	\$ 9,284	10,611	19,895
	<u>9,284</u>	<u>10,611</u>	<u>19,895</u>
Total fund balance	<u>\$ 9,284</u>	<u>\$ 22,611</u>	<u>\$ 31,895</u>

"See Accompanying Notes and Accountants' Review Report."

**GRAND COUNTY SERVICE AREA FOR  
 CASTLE VALLEY FIRE PROTECTION  
 (A COMPONENT UNIT OF GRAND COUNTY)  
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2005**

Total fund balances - governmental fund types:	\$	31,895
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Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not financial resources and,  
therefore are not reported in the funds. Amounts are shown net of depreciation.

	\$	91,143	
Buildings			
Equipment		268,541	359,684
Net assets of governmental activities	\$		391,579

"See Accompanying Notes and Accountants' Review Report."

**GRAND COUNTY SERVICE AREA FOR  
 CASTLE VALLEY FIRE PROTECTION  
 (A COMPONENT UNIT OF GRAND COUNTY)  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

			TOTAL GOVERNMENTAL FUND
	GENERAL	CAPITAL PROJECTS	DECEMBER 31, 2005
REVENUES:			
Taxes	\$ 22,112		\$ 22,112
Intergovernmental	31,089	\$ 230,000	261,089
Interest revenue	109	239	348
Total revenues	\$ 53,310	\$ 230,239	\$ 283,549
EXPENDITURES:			
Current -			
General government	\$ 30,398		\$ 30,398
Capital outlay	22,118	\$ 230,000	252,118
Total expenditures	\$ 52,516	\$ 230,000	\$ 282,516
Excess of revenue over (under) expenditures	\$ 794	\$ 239	\$ 1,033
OTHER FINANCING SOURCES (USES):			
Transfer in		\$ 12,000	\$ 12,000
Transfer out	\$ (12,000)		(12,000)
Total other financing sources (uses)	\$ (12,000)	\$ 12,000	\$ ...
Excess of revenues and other sources over (under) expenditures and other uses	\$ (11,206)	\$ 12,239	\$ 1,033
FUND BALANCE, January 1,	20,490	10,372	30,862
FUND BALANCE, December 31,	\$ 9,284	\$ 22,611	\$ 31,895

"See Accompanying Notes and Accountants' Review Report."

**GRAND COUNTY SERVICE AREA FOR  
 CASTLE VALLEY FIRE PROTECTION  
 (A COMPONENT UNIT OF GRAND COUNTY)  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

Net changes in fund balances - total governmental funds	\$	1,033
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$59,050) was exceeded by capital outlays (\$252,118) in the current period.		193,068

Change in net assets of governmental activities	\$	194,101

"See Accompanying Notes and Accountants' Review Report."

**GRAND COUNTY SERVICE AREA FOR  
CASTLE VALLEY FIRE PROTECTION DISTRICT  
(A COMPONENT UNIT OF GRAND COUNTY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Grand County Service Area for Castle Valley Fire Protection (referred to as the District hereafter) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below and in subsequent sections of these notes.

**A. Reporting Entity**

The District was organized by Grand County under the State of Utah's statutes governing fire protection districts. The purpose for the District is to provide fire protection to the community of Castle Valley, Utah, and the surrounding area. The District has a 3-member board that is elected by voters residing in the Castle Valley Fire Protection District.

All funds, including all financial activities over which the District has financial accountability, are included in this report. The District's financial reporting entity is comprised of all funds of the District, which constitute the primary government.

In determining the financial reporting entity, the District complies with the provisions of Governmental Accounting Standards Board Statement No. 14 (as amended by GASB Statement 39), The Financial Reporting Entity, and includes all component units of which the District appoints a voting majority of the units' board and the District is either able to impose its will on the unit or a financial benefit or burden relationship exists. Based upon the above criteria, the District has no component units, but is a component unit of Grand County.

**B. Government-Wide and Fund Financial Statements**

Generally accepted accounting principles (GAAP) require that state and local governments provide a government-wide statement of net assets and a government-wide statement of activities. The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) are required to be presented using the economic resources measurement focus and the accrual basis of accounting, the same measurement focus and basis of accounting employed by private-sector business enterprises and not-for-profit organizations.



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-Wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

The statement of net assets is the basic government-wide statement of position that presents all of the District's permanent accounts (assets, liabilities, and net assets).

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

- 1) The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.
- 2) The Capital Projects Fund accounts for resources accumulated and payments made for the acquisition of capital assets and construction of major capital improvements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Property taxes, interest, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are recognized as revenue in the year for which they are levied. Amounts received or recognized as receivable at fiscal year end are included in the financial statements as taxes receivable. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB).

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources, as they are needed.

**D. Budgetary Data**

The system of budgeting used by the District complies primarily with the procedures outlined in the "State of Utah Uniform Accounting Manual for Special Districts", which is in accordance with generally accepted accounting principles. Budgets are presented on the modified accrual basis of accounting for all governmental funds. All annual appropriations lapse at year-end.

The District follows the budgetary practices and procedures required by Utah State law. These requirements are summarized as follows:

1. A formal budget is adopted for all funds which require a budget: all general and capital projects funds.
2. The budget is a complete financial plan, which identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance, that is estimated revenues and other financing sources must equal appropriated expenditures.
3. On or before the first regularly scheduled meeting of the governing body in November, the fire chief prepares a tentative budget and submits it to the District Board.
4. The tentative budget is a public record and is available for public inspection for at least seven days prior to public hearings held to consider adoption of the budget.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. **Budgetary Data (Continued)**

5. Notice of the scheduled public hearings is published at least seven days prior to the meeting.
6. A public hearing is held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the District Board.
7. The District Board considers the comments made by the public and makes final adjustments to the budget.
8. By December 31, the District Board adopts the budget by resolution. A copy of the budget is certified by the County Auditor and is filed with the State Auditor within thirty days of adoption. A certified copy of the budget is available for public inspection.
9. The budget may be amended to reflect changes in circumstances, which occur during the year.

E. **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition including investments in the Public Treasurers' Investment Fund (PTIF) to be cash and cash equivalents.

Investments are reported at fair value. The PTIF's reported value is basically the same as the fair value of the Fund's shares.

F. **Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. **Capital Assets**

Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the government-wide financial statements. The District defines capital assets as assets with an initial individual cost of \$250 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

G. **Capital Assets (Continued)**

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the District is not included as part of the capitalized value of the assets constructed.

Buildings and equipment of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Equipment	5-12

H. **Net Asset Classifications**

In the government-wide financial statements, net assets are displayed in three components:

1. Investment in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets – consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Governmental fund equity is classified as fund balance. Fund balance is classified as either reserved or unreserved, with unreserved further split between designed and undesignated. Amounts are classified as reserved when amounts are required to be reserved for a specific purpose, either through legislation or third-party contracts. The District's Board can designate unreserved amounts for a specific purpose.

## **2. DEPOSITS AND INVESTMENTS**

Deposits and investing for the District are governed by the Utah Money Management Act (Utah Code, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The District maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and investments. Income from the investment of pooled cash is allocated based on each fund's portion of the pool. In addition, cash and investments are separately held by individual funds.

### *Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2005, the District's bank balance of cash on deposit was \$14,109; of this amount \$14,109 was insured.

### **Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

## 2. DEPOSITS AND INVESTMENTS (Continued)

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

### **Investments (Continued)**

As of December 31, 2005, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 19,479	\$ 19,479			
Total Investments	\$ 19,479	\$ 19,479	\$ ...	\$ ...	\$ ...

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District also manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments but the District informally follows the policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

## 2. DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2005, the District had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
State of Utah Public Treasurer's Investment Fund	\$ 19,479				\$ 19,479
Total	<u>\$ 19,479</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ 19,479</u>

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

### *Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of December 31, 2005, the District had \$19,479 invested in the Public Treasurer's Investment Fund and was held by them.

### 3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Capital assets being depreciated:				
Buildings	\$ 150,859			\$ 150,859
Equipment and vehicles	<u>88,344</u>	<u>\$ 276,887</u>		<u>365,231</u>
<b>Total capital assets being depreciated:</b>	<u>\$ 239,203</u>	<u>\$ 276,887</u>	<u>\$ ...</u>	<u>\$ 516,090</u>
Less accumulated depreciation for:				
Buildings	\$ 54,687	\$ 5,029		\$ 59,716
Equipment and vehicles	<u>42,669</u>	<u>54,021</u>		<u>96,690</u>
<b>Total accumulated depreciation</b>	<u>\$ 97,356</u>	<u>\$ 59,050</u>	<u>\$ ...</u>	<u>\$ 156,406</u>
<b>Total capital assets being depreciated, net</b>	<u>\$ 141,847</u>	<u>\$ 217,837</u>	<u>\$ ...</u>	<u>\$ 359,684</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 141,847</u>	<u>\$ 217,837</u>	<u>\$ ...</u>	<u>\$ 359,684</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General government	<u>\$ 59,050</u>
<b>Total depreciation expense - governmental activities</b>	<u><u>\$ 59,050</u></u>



4. **CONTINGENT OBLIGATIONS**

Management, the Board of Directors and legal counsel for the District are aware of no litigation involving the District, either in progress or pending, which would materially affect the financial statements as of December 31, 2005, nor of any material contingencies not otherwise disclosed in the Notes to Financial Statements contained herein.

5. **PROPERTY TAX CALENDAR**

The District adopts the proposed tax rates as part of its budget for the current year, which began January 1. If the proposed rates exceed a certified tax rate, a special public hearing must be held before the final rate is adopted. The final tax rate is assessed, by the Grand County Assessor, on property in the District on the prior January 1. The taxes are payable to the Grand County Treasurer by the end of November and are remitted to the District by the County Treasurer as collected.

6. **BUDGET COMPLIANCE**

Utah State law requires that budgetary compliance be measured on a fund level. During the year ended December 31, 2005, there was an unfavorable budget variance in the General Fund.

7. **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injury to employees; and natural disasters. To eliminate as much as possible, the District's exposure, it has purchased insurance policies through commercial companies to cover the various areas of risk.

8. **RESERVED FUND BALANCE**

Fund balance in the Capital Projects Fund has been reserved at December 31, 2005 as follows:

Capital Projects Fund

Capital improvements	<u>\$ 12,000</u>
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**GRAND COUNTY SERVICE AREA FOR  
CASTLE VALLEY FIRE PROTECTION  
(A COMPONENT UNIT OF GRAND COUNTY)  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
Taxes:				
Property taxes	\$ 17,400	\$ 17,400	\$ 20,847	\$ 3,447
Other	700	700		(700)
Fee-in-Lieu	1,200	1,200	1,265	65
Interest income	200	200	109	(91)
Intergovernmental revenue	15,000	15,000	31,089	16,089
Total revenues	\$ 34,500	\$ 34,500	\$ 53,310	\$ 18,810
<b>EXPENDITURES:</b>				
Operating expenses	\$ 16,860	\$ 16,860	\$ 30,398	\$ (13,538)
Capital outlay	17,640	17,640	22,118	(4,478)
Total expenditures	\$ 34,500	\$ 34,500	\$ 52,516	\$ (18,016)
Excess of revenues over (under) expenditures	\$ ...	\$ ...	\$ 794	\$ 794
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	\$ (12,000)	\$ (12,000)	\$ (12,000)	\$ ...
Total other financing sources (uses)	\$ (12,000)	\$ (12,000)	\$ (12,000)	\$ ...
Excess of revenues and other sources over (under) expenditures and other uses	\$ (12,000)	\$ (12,000)	\$ (11,206)	\$ 794
Fund balances - beginning of year	12,000	12,000	20,490	8,490
Fund balances - end of year	\$ ...	\$ ...	\$ 9,284	\$ 9,284

"See Accompanying Notes and Accountants' Review Report."